

ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: December 7, 2012

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- Norfolk's unemployment rate in October stood at 7.4 percent (not seasonally adjusted), which is 0.9 percentage point below last year's rate and is 0.2 percentage point below last month's rate. (See page 1)
- Virginia nonfarm employment (not seasonally adjusted) rose in October by 29,500 jobs or 0.8 percent from the same period last year, the 30th consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 0.6 percent (or 4,400 jobs) in October from the same period last year. Since February 2011, regional employment has been growing year-over-year in every month, except in September 2011 and October 2011. (See page 2)
- From January to October 2012, the average sales price of homes sold in Hampton Roads are up 1.4 percent from the same period last year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through October by 3.2 percent. Norfolk's increase was driven by the average price of existing homes sold, which rose by 2.7 percent year-to-date. (See page 3)
- Through October, housing units authorized by building permits in Norfolk declined by 20 percent (or 113 units). However, new single-family dwellings permitted year-to-date (241 units) were at their highest level since 2008. (See page 4)
- Fiscal year-to-date through October, Norfolk sales taxes fell 5.0 percent (or \$0.5 million). However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, sales taxes are up 4.3 percent (or \$0.4 million). (See page 5)
- Real GDP increased at an annual rate of 2.7 percent (second estimate) in the third quarter of 2012, which is slightly above the 1.3 percent rate of growth in the second quarter. (See page 6)

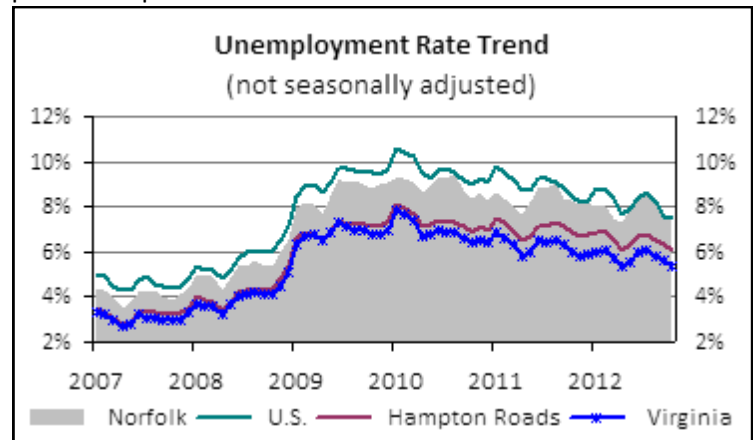
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	October 2012*	September 2012	October 2011	10-Year Average
Norfolk	7.4%	7.6%	8.3%	6.1%
Chesapeake	5.6%	5.8%	6.4%	4.5%
Hampton	7.3%	7.6%	8.7%	5.6%
Newport News	6.7%	6.9%	7.7%	5.4%
Portsmouth	7.5%	7.9%	8.9%	6.2%
Suffolk	6.4%	6.6%	7.2%	5.0%
Virginia Beach	5.3%	5.4%	6.0%	4.2%
Hampton Roads	6.1%	6.3%	6.9%	4.9%
Virginia	5.4%	5.6%	6.0%	4.6%

According to the Virginia Employment Commission (VEC), Norfolk's not seasonally adjusted unemployment rate fell in October to 7.4 percent, from last year's rate of 8.3 percent and last month's rate of 7.6 percent. The unemployment rate fell from last year, as the number of unemployed Norfolk residents fell by 870 (or 9.8 percent), while the labor force rose by 159 (0.1 percent) and employment rose by 1,029 (or 1.0 percent). Norfolk's unemployment rate was slightly below the seasonally unadjusted national rate of 7.5 percent.

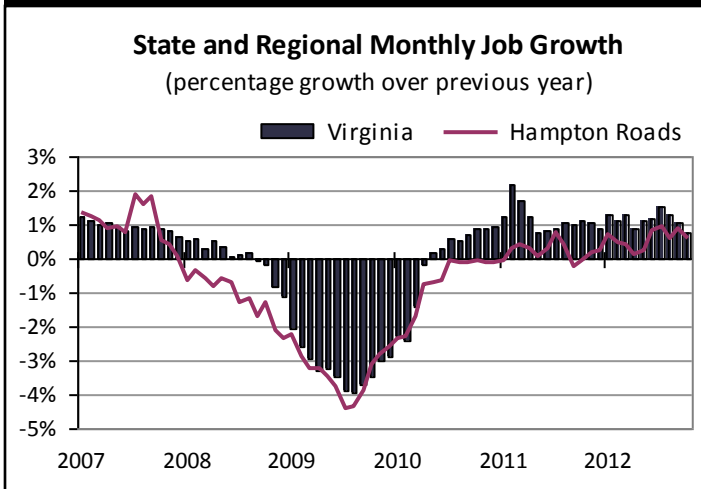
The unemployment rate in all the major cities in Hampton Roads also fell from last month and last year (see table above). Similar to last month, the regional and statewide unemployment before seasonal adjustment were below last year's rate by 0.8 and 0.6 percentage point, respectively, and were both below last month's rate by 0.2 percentage point. The VEC reported that "the unadjusted unemployment rate usually declines in October, with the employment buildup in public and private schools."



Source: Virginia Employment Commission and U.S. Bureau of Labor Statistics.

* Preliminary figures, subject to revision in the following month.

State and Regional Job Growth



The Virginia Employment Commission (VEC) reported nonfarm employment statewide in October totaled 3,744,400 (not seasonally adjusted), an increase of 0.8 percent (or 29,500 jobs) from the same period last year (October 2011). This was the 30th consecutive month of year-over-year job growth statewide.

Nonfarm employment in Hampton Roads also increased year-over-year by 0.6 percent (or 4,400 jobs) to 742,700 (not seasonally adjusted). Employment in the region has been growing year-over-year in every month (except September and October 2011) since February 2011. In other Virginia metropolitan statistical areas (MSAs), only Roanoke and Winchester MSAs saw a decline in employment from last year. Northern Virginia had the highest year-over-year increase (22,800 jobs).

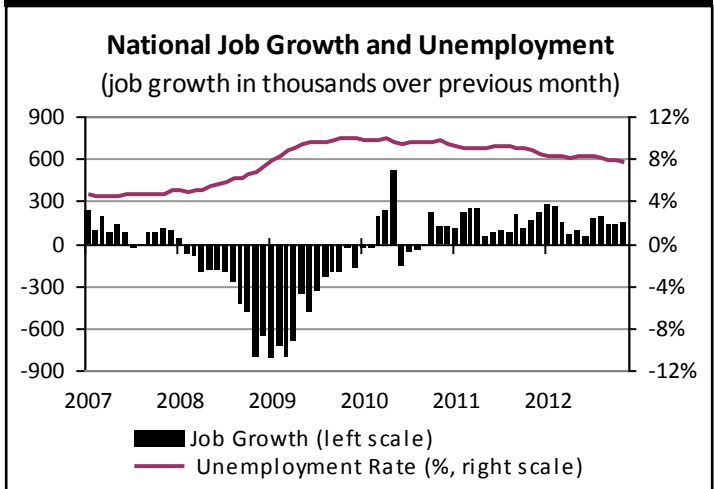
An overview of year-over-year job growth for key sectors in the state and region is shown in the table below.

October Job Change in Major Sectors

(not seasonally adjusted; job changes are from previous year)

	Hampton Roads ²	Virginia ²
Construction	-2,200	-3,400
Manufacturing	300	-3,800
Trade (Retail and Wholesale)	500	-3,500
Transportation and Utilities	0	5,000
Information	-700	-2,800
Financial Activities	-700	8,700
Professional and Business Services	1,500	10,400
Educational and Health Services	1,800	9,900
Leisure and Hospitality	1,900	5,500
Government	1,800	3,100
Federal Government	800	2,700
State Government	500	300
Local Government	600	100

National Job Growth



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) in November increased by 146,000 jobs. However, BLS revised down employment figures in September and October by 49,000, mostly in the public sector. The revision showed public sector job losses of 41,000 in September and October versus the previous estimate of a gain of 7,000 jobs. Job growth year-to-date (YTD) now totals to nearly 1.7 million jobs, an average of 151,000 jobs per month. The growth has been mainly in the private sector. However, job losses in the public sector have moderated totaling 31,000 YTD versus 254,000 jobs lost (revised) during the same period last year. In November, the seasonally adjusted unemployment rate fell slightly to 7.7 percent from 7.9 percent in October, the lowest rate since December 2008.

National Job Growth by Sector

(seasonally adjusted; Oct./Nov. growth is from previous month)

	Oct. 2012 ¹	Nov. 2012 ²	2012 YTD ^{2,3}
Mining & Logging	-7,000	5,000	11,000
Construction	15,000	-20,000	-32,000
Manufacturing	10,000	-7,000	146,000
Trade/ Transportation/Utilities	67,000	69,000	366,000
Information	-5,000	12,000	-12,000
Finance	5,000	1,000	69,000
Professional/Business Services	55,000	43,000	461,000
Educational/Health Services	24,000	18,000	373,000
Leisure and Hospitality	20,000	23,000	277,000
Other Services	5,000	3,000	38,000
Government	-51,000	-1,000	-31,000
Federal Government	-6,000	-5,000	-37,000
State Government	-15,000	6,000	31,000
Local Government	-30,000	-2,000	-25,000
Total Job Growth	138,000	146,000	1,666,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Revised. ² Preliminary, subject to revision the following month. ³ YTD figures do not include the preliminary estimate of the upcoming annual benchmark revision to be finalized Feb. 2013.

Regional Housing Market

Jan. - Oct. Home Sales	Housing Units Sold		Average Days on Market	
	2011	2012	2011	2012
Hampton Roads	15,230	16,484	101	97
Norfolk	1,900	1,984	95	99
Chesapeake	2,437	2,664	90	82
Hampton	1,054	1,170	102	111
Newport News	1,350	1,347	105	99
Portsmouth	926	915	101	108
Suffolk	853	959	119	101
Virginia Beach	4,436	4,789	90	85

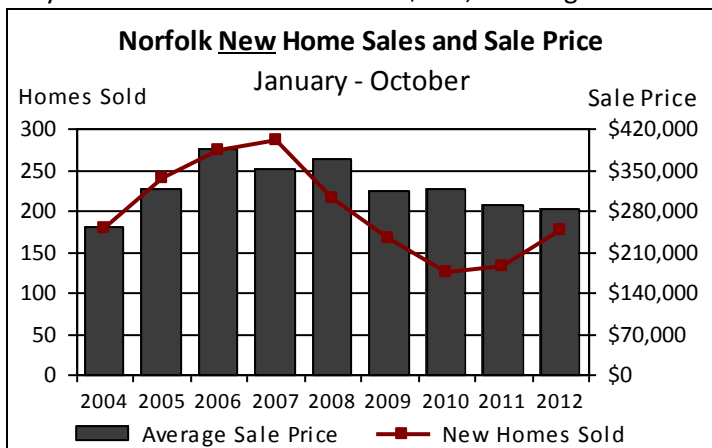
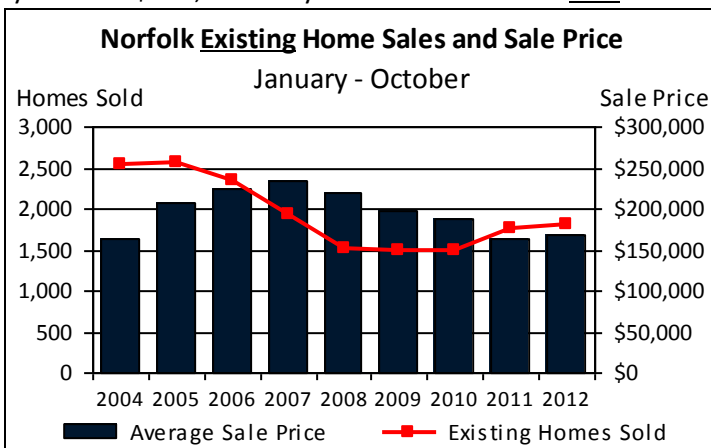
Average Residential Sales Price: January - October Year-to-Date			
Area	2012	2011	% Change
Hampton Roads	\$223,488	\$220,337	1.4%
Norfolk	\$178,918	\$173,316	3.2%
Chesapeake	\$236,697	\$240,054	-1.4%
Hampton	\$159,327	\$156,455	1.8%
Newport News	\$160,904	\$160,912	0.0%
Portsmouth	\$125,017	\$119,546	4.6%
Suffolk	\$222,331	\$239,082	-7.0%
Virginia Beach	\$270,564	\$265,615	1.9%

The Real Estate Information Network (REIN) reported that the average sales price of homes sold in Hampton Roads from January through October rose 1.4 percent to \$223,488, from \$220,337 last year. Among the seven major cities in the region, the average sales price of homes sold year-to-date (YTD) continued to be higher than last year in Norfolk, Hampton, Portsmouth and Virginia Beach. The median sales price YTD also increased for those cities, except for Portsmouth. According to REIN, the increase in the sales price was related to the decrease in the inventory of homes for sale (or active listings), which fell 12 percent in October to a 6.79 months' supply. Also, REIN reported that sales of distressed homes in October 2012 are down 4.8 percent from October 2011. Although the inventory of distressed homes was higher than last year (26.8 percent in October 2012 vs. 24.3 percent in October 2011), REIN indicated that "this may suggest that buyers are purchasing more non-distressed listings."

The number of homes sold in the region also continued on an upward trend, rising by 8.2 percent or 1,254 homes from the same period last year. REIN indicated home sales will continue to rise, since the number of homes under contract or pending sales, increased 26 percent year-over-year in October, the highest increase since January 2012. Almost all of the seven major cities experienced year-over-year gains—only Hampton and Newport News had a decline in pending sales year-over-year.

Norfolk Housing Market

The average sales price of existing homes sold in Norfolk continued to be above last year through October, rising by 2.7 percent to about \$169,000 from \$164,500 last year. Through October, the number of existing homes sold in Norfolk have also continued to trend upwards and have risen by 2.3 percent (or 41 homes) to 1,809. The majority of the increase in existing homes sold have been in homes priced in the \$200,000 range. The number of existing homes sold in the range over \$200,000 have risen slightly, and there was a comparable decrease in existing homes sold for under \$200,000. Sales of existing homes during the January through October period have been on an upward trend since 2010. Likewise, new homes sold in Norfolk rose 33 percent (or 43 homes), from 132 homes to 175 homes this year. However, unlike existing homes, the average sales price of new homes sold fell by 3.4 percent, to \$282,000 this year from \$291,900 last year. Over half of the new homes sold year-to-date have been in the \$200,000 range.



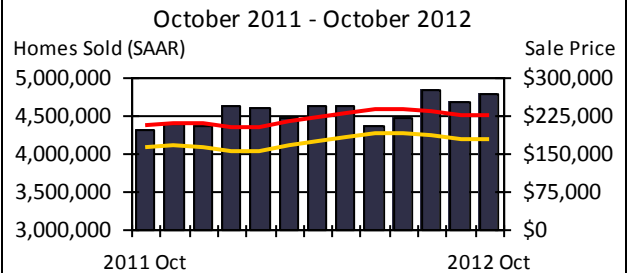
Source: Real Estate Information Network (REIN)

National Housing Market

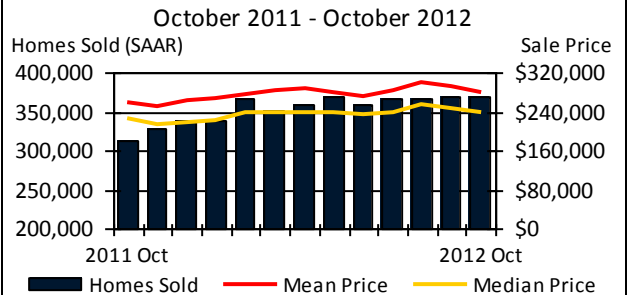
In October, existing home sales nationwide increased 2.1 percent to a seasonally adjusted annual rate (SAAR) of 4.79 million from 4.69 million (revised) in September 2012. Existing home sales are also up 10.9 percent from a year ago. In contrast, new home sales fell slightly by 0.3 percent to 368,000 (SAAR) from 369,000 in September 2012, but was above last year by 17.2 percent.

The average sales price of existing homes was up 9.9 percent in October to \$226,300. National Association of Realtors Chief Economist Lawrence Yun indicated that the increase in sales price reflected the “solid recovery” of existing home sales in higher price points, as the sale of homes over \$500,000 increased 40 percent in October. Moreover, the inventory of existing homes (2.14 million, which represents a 5.4 month supply) is at its lowest since February 2006. Like existing homes, the average price of new homes sold also rose from last year by 8.0 percent to \$278,900.

Existing Home Sales and Sale Price



New Home Sales and Sale Price



Regional Foreclosure Activity

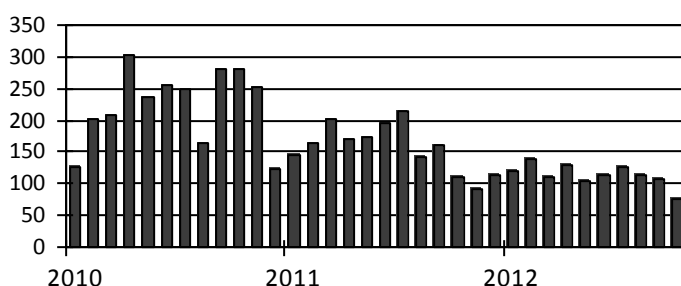
RealtyTrac reported foreclosure filings nationwide rose 3.3 percent in October to 186,455 but was 19 percent lower than last year. About one in every 706 housing units had a foreclosure filing in October. However, the seven major cities in the region bucked the national trend, with most seeing double-digit percentage declines in foreclosures from the previous month and from the previous year. In Norfolk, the number of foreclosure filings in October was the lowest since April 2008.

Foreclosure Activity—October 2012

	Properties with Foreclosure Filings	% Change from:	
		last month	last year
Norfolk	76	-29.0%	-30.9%
Chesapeake	109	0.0%	-11.4%
Hampton	58	-25.6%	-36.3%
Newport News	45	-48.9%	-55.4%
Portsmouth	47	-42.0%	-47.8%
Suffolk	27	-35.7%	-57.8%
Virginia Beach	121	-46.9%	-49.6%
Virginia	1,867	-27.0%	-49.4%
Nation	186,455	3.3%	-19.2%

Norfolk Foreclosure Activity

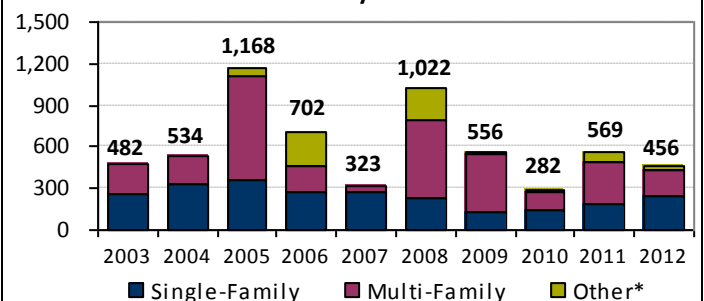
Properties with Foreclosure Filings: Jan. 2010 - Oct. 2012



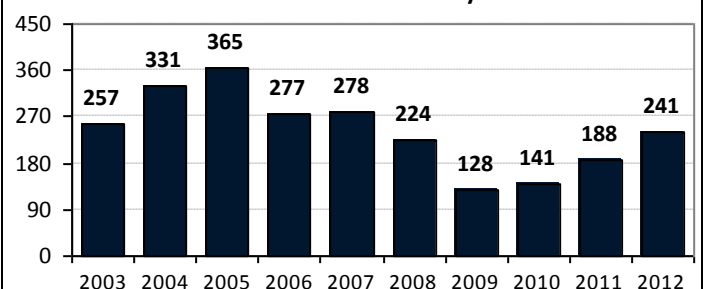
Norfolk Residential Building Permits

Through October, the number of housing units authorized by building permits in Norfolk declined 19.9 percent (or 113 units). The decline was due to units permitted in new multi-family structures (down 99 units) and the “other” category (down 67 units). These declines were offset partly by the increase in new single-family units permitted (53 units), which were at their highest level since 2008. This year’s activity reflected one significant multi-family project (Promenade Pointe, 183 units), whereas last year, there were permitted two multi-family projects and the Krisp Pak building conversion to residential.

Number of Housing Units Permitted in Norfolk from January to October



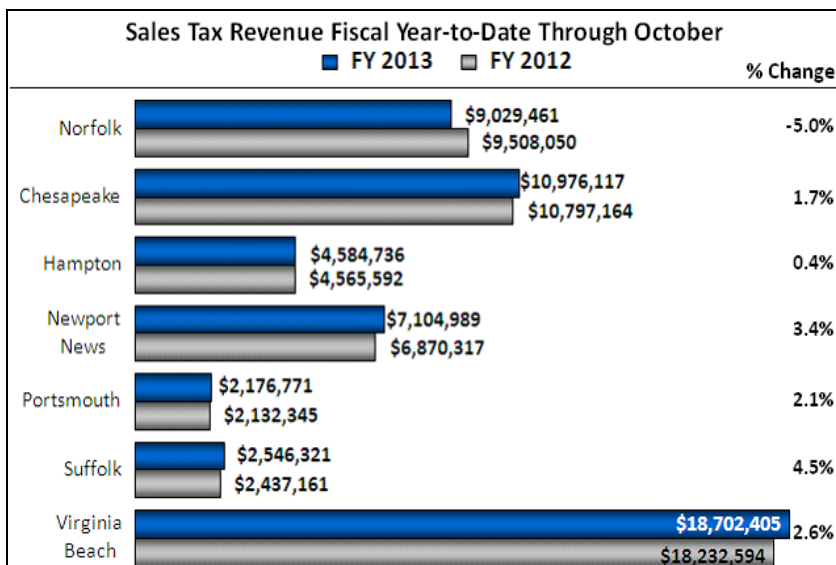
Number of New Single Family Dwellings Permitted in Norfolk from January to October



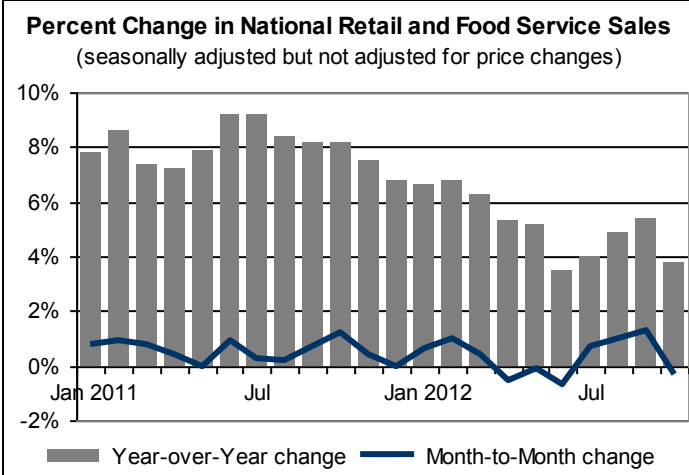
Source: RealtyTrac, City of Norfolk Economic Development, National Association of Realtors, and U.S. Census Bureau. * “Other” includes new units in mixed use structures (Harbor Heights in 2006), residential conversions (Riverview Lofts in 2011), and accessory dwellings.

Norfolk and Regional Sales Tax

In October, Norfolk sales tax revenue totaled about \$2.0 million, which was down \$0.3 million or 14.8 percent from last year. However, adjusting for the Virginia Department of Taxation correction of an overpayment, the decline was 5.1 percent or \$0.1 million. Sales tax collections for the month of October alone also decreased in all the major cities in the region, with the decline ranging from 3.1 percent in Chesapeake and Virginia Beach to 6.7 percent in Portsmouth. Fiscal year-to-date (YTD) through October, Norfolk's sales tax collections totaled about \$9 million, which is 5.0 percent (or \$0.5 million) below last year's collection YTD. However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, Norfolk sales taxes are up 4.3 percent (or \$0.4 million) YTD.



National Retail and Food Service Sales

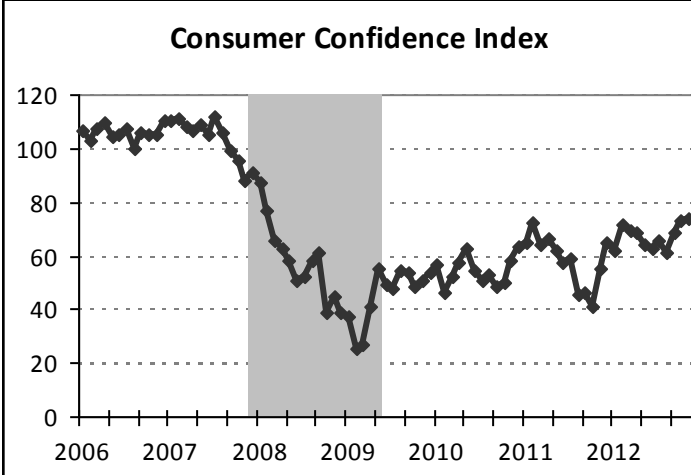


The U.S. Census Bureau reported that national retail and food services sales fell 0.3 percent (preliminary) in October from the previous month (September), after increasing month-to-month for three consecutive months. However, the Census Bureau could not isolate any effect Hurricane Sandy may have had on retail sales estimates. The majority of the decrease in October was from motor vehicle sales. Smaller declines also occurred in other businesses such as, nonstore retailers (which include electronic shopping and mail-order houses), building materials and garden equipment and supplies dealers, and restaurants and bars. These decreases were partly offset by an increase in sales at gas stations, food and beverage stores, and general merchandise stores.

From the previous year (October 2011), there was a 3.8 percent increase in retail sales. The increase from last year was driven by motor vehicle sales and sales at gas stations, food and beverage stores, nonstore retailers, restaurants and bars, and clothing stores, while sales at electronics and appliance stores, health and personal care stores, and department stores decreased.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

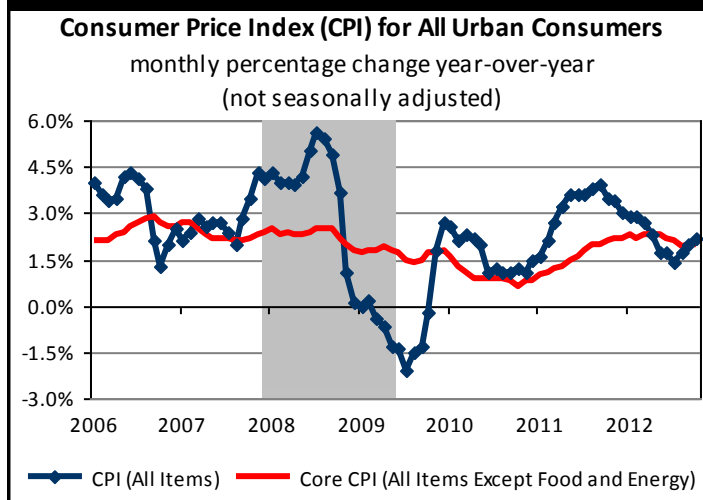
Consumer Confidence Index



The Conference Board reported consumer confidence moderately increased again in November to 73.7 from 73.1 in October. The Consumer Confidence Index is at its highest level since February 2008 when the index stood at 76.4. The increase was mainly due to consumer appraisal of future business conditions; on the other hand, consumer appraisal of current business conditions was relatively unchanged from last month. Consumer appraisal of future business conditions, as measured by the Expectations Index, rose to 85.1 in November from 84.0 in October. Consumer appraisal of current business and employment conditions as measured by the Present Situation Index stood at 56.6 versus 56.7 in October.

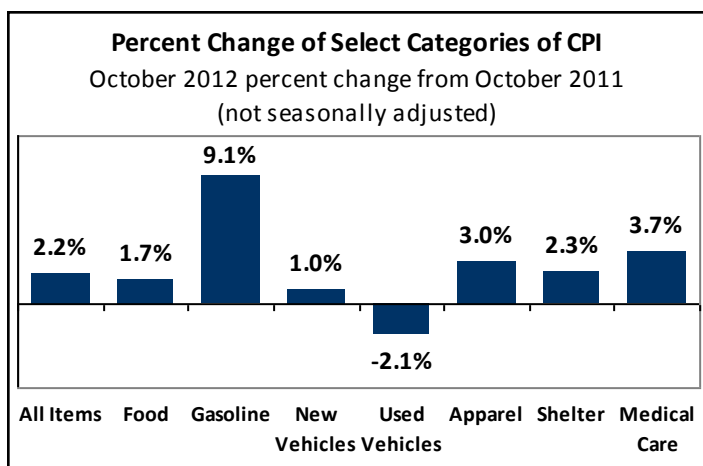
Lynn Franco, Director of Economic Indicators at The Conference Board indicated that this "month's moderate improvement was the result of an uptick in expectations, while consumers' assessment of present-day conditions continues to hold steady. Over the past few months, consumers have grown increasingly more upbeat about the current and expected state of the job market, and this turnaround in sentiment is helping to boost confidence."

Consumer Price Index



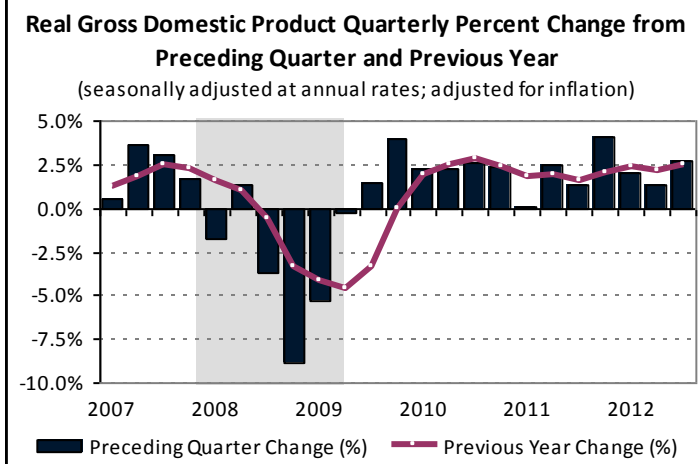
The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported that the CPI for all urban consumers increased 0.1 percent in October from the previous month (September) on a seasonally adjusted basis. BLS indicated that over half of the increase was due to the shelter index, which rose 0.3 percent in October from last month, its largest increase since March 2008. Energy prices, which drove the increase in the CPI in the past two months, fell 0.2 percent in October due to the decline in gasoline and natural gas price indices. Food price index rose 0.2 percent from the previous month, with food at home posting its largest increase (0.3 percent) since September 2011. The index for all other items except food and energy also rose 0.2 percent on a seasonally adjusted basis.

From the previous year (October 2011), the CPI rose 2.2 percent before seasonal adjustment, the largest year-over-year increase since April 2012. Food price index rose 1.7 percent year-over-year, while energy prices rose 4.0 percent, driven by gasoline prices. The price index for all other items except food and energy rose 2.0 percent from last year, due to medical care, apparel and shelter.



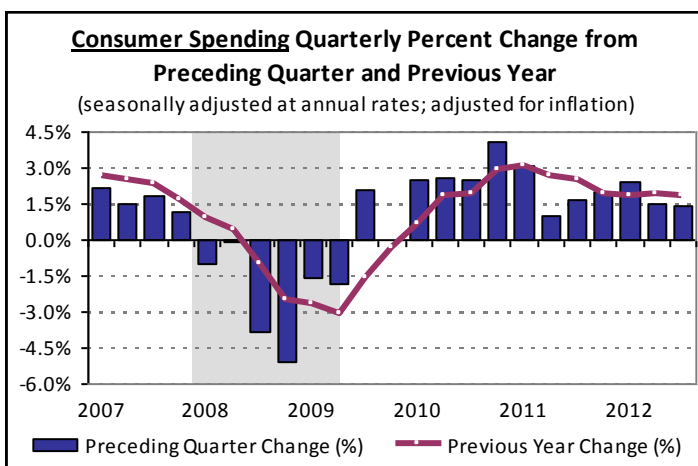
Real Gross Domestic Product (GDP)

The Bureau of Economic Analysis (BEA) reported real GDP grew at an annual rate of 2.7 percent (second estimate) in the third quarter of 2012, which was above the rate of growth of 1.3 percent in the second quarter of 2012. The second estimate, which was based on more complete source data, was higher than the first estimate of a 2.0 percent increase. Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity.



Real GDP accelerated in the third quarter due to the following.

- **Consumer spending on durable and nondurable goods** grew at a 3.5 percent rate, which is above the 0.3 percent rate of growth in the second quarter—however, this growth was partly offset by a lower rate of consumer spending on services;
- **Investment in business inventory** rose \$61.3 billion after increasing \$41.4 billion in the second quarter;
- **Investment in residential structures** grew 14.2 percent, after increasing 8.5 percent in the second quarter; and
- **Government spending** grew at an annual rate of 3.5 percent, after eight straight quarters of decline, due to a 9.5 percent increase in federal spending.



Source: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis